
Lawyers' Assistance Program, Inc.

Financial Statements

December 31, 2013

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date SEP 10 2014

Lawyers' Assistance Program, Inc.

Table of Contents

Independent Auditors' Report.....	1
--	----------

Financial Statements:

Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Functional Expenses	5
Statement of Cash Flows.....	6

Notes to Financial Statements	7
--	----------

Other Required Reports:

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	11
Summary of Auditors' Results and Schedule of Findings	13
Management's Response and Corrective Action Plan	15
Schedule of Prior Year Findings	16

Independent Auditors' Report

To the Board of Directors
Lawyers' Assistance Program, Inc.
Mandeville, Louisiana

We have audited the accompanying financial statements of Lawyers' Assistance Program, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Lawyers' Assistance Program, Inc.'s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

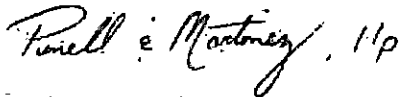
To the Board of Directors
Lawyers' Assistance Program, Inc.
Mandeville, Louisiana

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lawyers' Assistance Program, Inc. as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2014, on our consideration of Lawyers' Assistance Program, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lawyers' Assistance Program, Inc.'s internal control over financial reporting and compliance.



Covington, Louisiana
June 16, 2014

Financial Statements

Lawyers' Assistance Program, Inc.
Statement of Financial Position
December 31, 2013

ASSETS

Current Assets

Cash and cash equivalents	\$	411,052
Accounts receivable		33,500
Prepaid Expenses		<u>13,494</u>
		458,046

Fixed Assets

Property and equipment, net		12,102
-----------------------------	--	--------

Other Assets

Deposits		<u>4,660</u>
	\$	<u><u>474,808</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities

Payroll taxes payable	\$	5,179
-----------------------	----	-------

Net Assets

Unrestricted		<u>469,629</u>
	\$	<u><u>474,808</u></u>

See accompanying notes to financial statements.

Lawyers' Assistance Program, Inc.
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2013

Revenues	
Monitoring fees	\$ 58,015
Contributions	9,427
Grants and other awards	315,988
Miscellaneous	2,524
Interest income	39
	<u>385,993</u>
Expenses	
Program services	220,999
Support services	65,070
	<u>286,069</u>
Increase in net assets	99,924
Net assets, beginning of year	<u>369,705</u>
Net assets, end of year	<u><u>\$ 469,629</u></u>

See accompanying notes to financial statements.

Lawyers' Assistance Program, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2013

	<u>Program Services</u>	<u>Support Services</u>	
	Substance Abuse Counseling	Management and General	Total
Salaries and related taxes	\$ 142,317	\$ 32,844	\$ 175,161
Employee benefits	20,368	2,254	22,622
Employee training and education	9,995	-	9,995
Medical consultant	4,250	-	4,250
Program workshops	5,466	-	5,466
Charitable contributions	-	300	300
Office lease	19,451	4,489	23,940
Utilities	2,982	688	3,670
Repairs and maintenance	-	76	76
Depreciation	-	3,060	3,060
Office supplies and services	3,291	12,146	15,437
Insurance	-	818	818
Legal and professional fees	-	3,665	3,665
Marketing and promotion	-	1,445	1,445
Dues and subscriptions	-	435	435
Meals and entertainment	-	1,710	1,710
Travel	12,879	1,140	14,019
	<u>\$ 220,999</u>	<u>\$ 65,070</u>	<u>\$ 286,069</u>

See accompanying notes to financial statements.

Lawyers' Assistance Program, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2013

Cash Flows From Operating Activities

Increase in net assets	\$ 99,924
Adjustments to reconcile the increase in net assets to net cash provided by operating activities:	
Depreciation	3,060
(Increase) decrease in:	
Accounts receivable	(3,500)
Prepaid expenses	(12,586)
Deposits	(2,410)
Decrease (increase) in:	
Accrued salaries and payroll taxes	5,179
Net cash provided by operating activities	<u>89,667</u>

Cash Flows from Investing Activities

Purchases of property and equipment	<u>(1,962)</u>
Net cash used in investing activities	<u>(1,962)</u>

Increase in cash and cash equivalents	87,705
Cash and cash equivalents, beginning of year	<u>323,347</u>
Cash and cash equivalents, end of year	<u><u>\$ 411,052</u></u>

See accompanying notes to financial statements.

Lawyers' Assistance Program, Inc.

Notes to Financial Statements

1. History and Summary of Significant Accounting Policies

Organization

Lawyers' Assistance Program, Inc. ("LAP") was organized on February 8, 1992 as a Louisiana not-for-profit organization. The goal of LAP is to serve the public, the Bar and the profession by assisting, on a confidential basis, lawyers and judges whose professional impairment may stem from alcoholism, drug abuse, mental health, or gambling.

Basis of Accounting

LAP's financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, revenues are recognized when earned and expenses are recognized when incurred. The Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") is the source of authoritative GAAP.

Net Asset Classification

In accordance with FASB ASC requirements, net assets and the changes in net assets are grouped into the following three classes:

- *Unrestricted net assets* - net assets that are not subject to donor-imposed stipulations are classified as unrestricted. These may be designated for specific purposes by action of the Board of Directors.
- *Temporarily restricted net assets* - support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. Donor restricted support that will be met either by action of LAP and/or the passage of time, are classified as an increase in temporarily restricted net assets. When restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restriction.
- *Permanently restricted net assets* - net assets subject to donor-imposed stipulations that they be maintained permanently by LAP are classified as permanently restricted.

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. LAP's net assets are unrestricted.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and revenues and expenses reported during the period. Actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash includes all highly liquid debt instruments with original maturities of three months or less when purchased.

Lawyers' Assistance Program, Inc.

Notes to Financial Statements

Accounts Receivable

LAP uses the allowance method to determine uncollectible accounts receivable. Management periodically reviews the status of all accounts receivable balances for collectability. Based on past experience and analysis of receivable collectability, management has determined that no allowance for doubtful accounts is necessary.

Property and Equipment

Equipment is stated at cost less accumulated depreciation and is depreciated using the straight-line method over the estimated useful life of 5 to 7 years. Expenditures for repairs and maintenance are charged to operating expense as incurred.

Contributions

Contributions and unconditional promises to give are recorded when pledges are made by the respective donors. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Contributed Services

A number of volunteers have donated significant time to LAP's operations. The value of donated volunteer services is not recorded as a donation since no objective basis is available to measure the value of such services.

Advertising Costs

All costs relating to the marketing and promotion of LAP's services are expensed as incurred. Total advertising expenses for the year ended December 31, 2013 was \$1,445 and are recorded as management and general expenses in the accompanying statement of functional expenses.

Compensated Absences

Employees of LAP are entitled to paid leave depending upon length of service and other factors. Paid leave accumulated during a calendar year does not roll forward to the following year. LAP's policy is to recognize the costs of compensated absences when paid to employees.

Income Taxes

LAP has been recognized by the Internal Revenue Service as an organization exempt from Federal Income Tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in these financial statements. With few exceptions, LAP is no longer subject to federal or state examinations by tax authorities for the year before 2010.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, LAP may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. There were no unrecognized tax benefits identified or recorded as liabilities for the year ended December 31, 2013.

Lawyers' Assistance Program, Inc.
Notes to Financial Statements

2. Property and Equipment

Property and equipment consist of the following at December 31, 2013:

Furniture and equipment	5 - 7 years	\$	19,309
Accumulated depreciation			<u>(7,207)</u>
		\$	<u>12,102</u>

Depreciation expense for the year ended December 31, 2013 was \$3,060.

3. Related Party Transaction

LAP has entered into an agreement with Vivid Marketing Solutions, LLC – a company owned by the executive director's spouse – to design, develop, and launch LAP's new website. The original contracted costs was \$3,850. However, Vivid Marketing Solutions, LLC discounted the price by \$1,030 as a donation to LAP. As of December 31, 2013, LAP has paid Vivid Marketing Solutions, LLC \$1,410 as a deposit, with the remaining balance of \$1,410 to be paid upon completion of the website.

4. Operating Lease Commitment

LAP leases office facilities under a sixty month operating lease agreement that commenced on December 1, 2012 and expires November 30, 2017. Payments are due monthly in the amount of \$1,995 for the period of December 1, 2012 through November 30, 2014 and \$2,250 for the period of December 1, 2014 through November 30, 2017. Future rent payments are as follows:

For the Year Ended December 31	Amount
2014	\$ 24,195
2015	27,000
2016	27,000
2017	<u>24,750</u>
Total	<u>\$ 102,945</u>

Rent expense for the year ended December 31, 2013 was \$23,940.

Lawyers' Assistance Program, Inc.

Notes to Financial Statements

5. Concentrations

In the normal course of operations, LAP maintains cash deposits with major financial institutions which, from time to time, may exceed federally insured limits. At December 31, 2013, LAP's bank balance exceeded FDIC insurance limits by \$150,042. Management periodically assesses the financial condition of the institutions and believes the risk of incurring material losses related to this credit risk is remote.

For the year ended December 31, 2013, LAP received revenue totaling \$120,000 from the Louisiana Outside Counsel Health and Ethics Foundation and \$150,050 the Louisiana Bar Association. Each of these amounts exceeds thirty percent of total revenue.

Included in accounts receivable is \$30,000 due from the Louisiana Outside Counsel Health and Ethics Foundation which exceeds 95% of total receivables. Payment of this account is dependent upon the organization's ability to fund their projects and programs.

6. Compensation to Board Members

Compensation paid to the Board of Directors of LAP for the year ended December 31, 2013 is as follows:

<u>Board Member</u>	<u>Amount</u>
Dian Tooley Knoblett	\$ -
Don Massey	-
Sue Tart	-
Jim Lambert	-
Steve Thomas	-
Bob Lee	-
George Pierson	-
Nancy Snow	-
Robert Shadoin	-
Deb Faust	-
Craig Caesar	-
Steven Adams	-
David Cooley	-
Tom Bergstedt	-
John Gutierrez	-

7. Subsequent Events

LAP's management has evaluated subsequent events through June 16, 2014, the date which the financial statements were available to be issued.

Other Required Reports

**Independent Auditors' Report on Internal Control Over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Board of Directors
Lawyers' Assistance Program, Inc.
Mandeville, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Lawyers' Assistance Program, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 16, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lawyers' Assistance Program, Inc.'s internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lawyers' Assistance Program, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Lawyers' Assistance Program, Inc.'s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified a deficiency in internal control that we consider to be a material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Lawyers' Assistance Program, Inc.'s financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings to be a material weakness: **2013-1: Insufficient design and documentation of internal controls over financial reporting.**

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

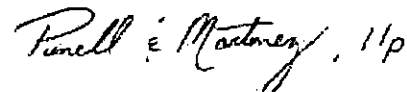
As part of obtaining reasonable assurance about whether Lawyers' Assistance Program, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Lawyers' Assistance Program, Inc.'s Response to Findings

The Lawyers' Assistance Program, Inc.'s response to the findings identified in our audit is described in the accompanying management's responses and corrective action plan at page 15. Although we have included management's written responses to our comments, such responses have not been subjected to the auditing procedures applied in our audit of the financial statements and, accordingly, we do not express an opinion or provide any form of assurance on the appropriateness of the responses or the effectiveness of any corrective actions described therein.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Lawyers' Assistance Program, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lawyers' Assistance Program, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.


Covington, Louisiana
June 16, 2014

Lawyers' Assistance Program, Inc.
Summary of Auditors' Results and Schedule of Findings
For the Year Ended December 31, 2013

A. Summary of Auditors' Results

a. Financial Statements

Type of auditors' report issued: Unmodified

b. Internal control over financial reporting:

Material weaknesses identified	<u>✓</u> yes	<u> </u> no
Significant deficiencies identified not considered to be material weaknesses	<u> </u> yes	<u>✓</u> none noted

c. Noncompliance material to financial statements noted	<u> </u> yes	<u>✓</u> no
---	-------------------	-------------

B. Findings in Accordance with *Government Auditing Standards*

Material Weakness Identified

2013-1: Insufficient design and documentation of internal controls over financial reporting

Condition: As part of our audit, we obtained an understanding of the Lawyers' Assistance Program, Inc.'s internal controls over financial reporting. This process has indicated the insufficient design and documentation of the internal controls over the accounts and processes being audited and over financial reporting.

Criteria: Lawyers' Assistance Program, Inc. should design, implement, and maintain an accounting policies and procedures manual that will provide an adequate system of internal controls over financial reporting.

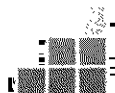
Cause of Condition: Inadequate segregation of duties due to management being dominated by a small group without compensating controls, including ineffective monitoring of management by the Board of Directors.

Lawyers' Assistance Program, Inc.
Summary of Auditors' Results and Schedule of Findings (*Continued*)
For the Year Ended December 31, 2013

Potential Effect of Condition:	Ineffective internal controls over financial reporting could lead to errors and/or fraud which could adversely impact the ability to assure timely and accurate financial reporting.
--------------------------------	--

Recommendation:	This finding is common for organizations of similar size and can be offset with effective oversight by the Board of Directors. Therefore, we recommend the Board of Directors to meet regularly to provide effective oversight for the Lawyers' Assistance Program, Inc. In addition, we recommend the Board of Directors to pass a resolution implementing an accounting policies and procedures manual specifically tailored to the operations of the Lawyers' Assistance Program, Inc.
-----------------	---

Management's Response and Corrective Action	Joseph Stockwell, Executive Director, evaluated finding No. 2013-1 and provided a response and corrective action plan dated June 16, 2014 which is presented on page 15.
---	--



L · A · P

LAWYERS ASSISTANCE PROGRAM, INC.

1405 W. Causeway Approach
Mandeville, Louisiana 70471

Toll-Free (866) 354-9334
Phone (985) 778-0571
Fax (985) 778-0574
LAP@louisianalap.com
www.louisianalap.com

June 16, 2014

Pinell & Martinez, LLP
308 S. Tyler Street, Ste. 4
Covington, Louisiana 70433

This letter is in response to your request for comments from the Lawyers' Assistance Program, Inc. ("LAP") regarding your "Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Audit Standards*" (the "Report").

The Report states that LAP's internal controls over financial reporting and the accounts and processes being audited are insufficiently designed and documented. I understand the importance of strong internal controls and have been implementing changes to strengthen those controls since I joined LAP.

First and foremost, the Board of Directors and management do place some reliance upon the auditors for suggestions to strengthen internal controls. Unfortunately, our predecessor auditor did not provide the guidance or oversight that we expected. For the audit of the December 31, 2013 financial statements, we focused on engaging an audit firm with strong nonprofit experience who will be able to properly assess LAP's internal controls. Therefore, a new audit firm was engaged and the necessary guidance and oversight was provided.

Secondly, the Board of Directors and I are in the process of updating LAP's by-laws. These updates will detail the level of oversight and involvement expected from board members and the frequency of board meetings. In addition, all discussions made during board meetings will be thoroughly documented in the Minutes of Meetings.

Last, the Board of Directors and I are currently designing an accounting policies and procedures manual that will be implemented before year end. This manual will detail LAP's policies and procedures for accounting and financial reporting, document retention, expense reimbursements, travel, conflict of interest, and whistleblower. Although we currently have most of these policies in place, we are confident that having the policies documented in a single manual will resolve the finding noted in the Report.

Sincerely yours,

J.E. "Buddy" Stockwell
Executive Director

Lawyers' Assistance Program, Inc.
Schedule of Prior Year Findings
For the Year Ended December 31, 2013

A. Findings in Accordance with *Government Auditing Standards*

None